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Message Text

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22
ACTION NEA-10

INFO OCT-01 ISO-00 H-02 L-03 EB-07 AF-08 EUR-12 SP-02

USIA-06 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 PA-01 SAM-01 AGR-05

AGRE-00 /110 W
---------- 072416
R 110725Z SEP 76
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 2474
INFO AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY SANA
AMEMBASSY TEL AVIV

C O N F I D E N T I A L MUSCAT 1125

E.O. 11652: GDS
TAGS: ETRD MU
SUBJECT: ANTI-BOYCOTT AND ANTI-DISCRIMINATION LEGISLATION

REF: STATE 216549

1. SO FAR THERE HAS BEEN LITTLE REACTION TO HIRC ANTI-BOYCOTT AMENDMENT. RADIO OMAN HAD BRIEF REPORT AND QUOTED THE "ASSISTANT SECRETARY OF NEAR EAST AFFAIRS" TO EFFECT THAT AMENDMENT COULD HAVE SERIOUS CONSEQUENCES FOR U.S.-ARAB ECONOMIC RELATIONS.

2. SUBPARAS I AND III OF AMENDMENT PERTAINING TO DISCRIMINATION
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AGAINST EMPLOYEES OF U.S. FIRMS DO NOT POSE PROBLEMS FOR US.

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OMANIS DO NOT ASK ABOUT RELIGION IN VISA APPLICATIONS, AND JEWISH AMCIT REPS OF AMERICAN FIRMS HAVE VISITED OMAN WITHOUT DIFFICULTY THIS YEAR. OMANGOV REQUESTS FOR U.S. FIRMS IN OMAN TO REPORT NATIONALITY OF LOCAL EMPLOYEES IS FOR USE OF OMAN LABOR DEPARTMENT TO KEEP TRACK OF EXPATRIATE POPULATION AND IS NOT DIRECTED AGAINST JEWS.

3. SUBPARAS II AND IV WOULD PROBABLY INJURE U.S. TRADE, SINCE OMANGOV WILL NOT GET OUT IN FRONT OF OTHER ARAB COUNTRIES IN OVERTLY EVADING BOYCOTT. OMANGOV STILL REQUIRES ASSERTION THAT PRODUCT IS NOT OF ISRAELI ORIGIN AND WILL NOT ACCEPT POSITIVE DESCRIPTION THAT GOODS WERE OF U.S. ORIGIN. REFUSAL OF U.S. FIRMS TO COMPLY WITH BOYCOTT WOULD IMMEDIATELY CURTAIL PROCESSING OF LETTERS OF CREDIT FOR U.S. EXPORTERS BY OMANI BANKS. OPERATIONS OF AMERICAN BANKS HERE WOULD BECOME ESPECIALLY DIFFICULT, AND LOCAL CITIBANK REP TOLD US THAT ENACTMENT OF HIRC AMENDMENT WOULD BAR CITIBANK FROM SYNDICATION AND LOAN ACTIVITIES AS WELL AS L/C TRANSACTIONS. U.S. FIRMS IN OMAN FEEL THEY ARE REQUIRED TO OBEY LOCAL LAWS IN ORDER TO OPERATE SUCCESSFULLY AS MULTINATIONAL CORPORATIONS AND SEE PASSAGE OF HIRC BILL AS PSIIBLY HURTING U.S. COMMERCIAL PRESENCE HERE AS WELL AS REDUCING EXPORTS.

4. MAJOR PROBLEM WITH BOTH HIRC AND STEVENSON BILLS IS THAT THEY DRAW UNNECESSARY ATTENTION AT TIME WHEN LEADING OMANGOV OFFICIALS ARE DELIBERATELY LAX IN ENFORCING BOYCOTT. FOR EXAMPLE, IN ORDER TO ENABLE PALACE TO PURCHASE MOTOROLA AND RCA EQUIPMENT, OMANGOV OFFICIALS ALLOWED IMPORTERS TO USE FALSIFIED LETTER OF CREDIT DECLARATIONS. DEPARTMENT OF CUSTOMS OFTEN ALLOWS FIRMS TO IMPORT GOODS UNACCOMPANIED BY BOYCOTT PAPERS UPON PAYMENT OF BANK GUARANTEE FOR ONE PERCENT OF DECLARED VALUE OF THE GOODS. WHETHER OMANIS WILL BE AS FORTHCOMING IF U.S. ANTI-BOYCOTT MOVES ARE PERFORMED IN GLARE OF PUBLICITY IS QUESTIONABLE. BOYCOTT PUBLICITY HAS ALREADY MADE NEW YORK STATE BANKS RELUCTANT TO PROCESS LETTERS OF CREDIT FOR OMAN, AND LOCAL BANKS ARE NOW HAVING LETTERS OF CREDIT PROCESSED BY BANKS IN NEW JERSEY AND WASHINGTON, D.C. PROVISIONS IN STEVENSON BILL FOR PUBLICISING BOYCOTT COMPLIANCE COULD AT THE BERY LEAST DISCOURAGE SMALLER NEW-TO-EXPORT FIRMS FROM DOING BUSINESS IN OMAN.
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5. WE BELIEVE THAT ENACTMENT OF HIRC AMENDMENT WOULD ONLY MAKE OMANIS MORE STRICT ON ENFORCING BOYCOTT REGULATIONS. BELIEF BY SPONSORS OF HIRC BILL AND OTHER TOUGH ANTI-BOYCOTT LEGISLATION PROPONENTS THAT ARABS WILL PHASE OUT BOYCOTT RATHER THAN BE DEPRIVED OF U.S. GOODS IS WISHFUL THINKING IN REGARD TO OMAN; OMANIS COULD CERTAINLY OBTAIN ALMOST EVERYTHING THEY NOW PURCHASE FROM U.S. BY DOING BUSINESS INSTEAD WITH EUROPEAN

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OR JAPANESE SUPPLIERS. WHILE WE DO NOT PLAN TO TALK TO OMANGOV AT THIS TIME ABOUT HIRC AMENDMENT, LOCAL BANK REPS WILL BE DISCUSSING BILL WITH LEADING OFFICIALS TO FIND SOME WAY OF SOFTENING IMPACT IF HIRC BILL IS ENACTED. WE WOULD HOPE THAT ADMINISTRATION CONTINUES ITS STRONG OPPOSITION TO HIRC AMENDMENT AND OTHER NEW LEGISLATION WHICH COULD MOST CERTAINLY HAVE NEGATIVE EFFECT ON U.S.-OMAN ECONOMIC RELATIONS.
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